Social Security Administration's
Report on Supplemental Security Income Income and Resource Exclusions And Disability Insurance Earnings-Related Provisions

March 2000

The Honorable Albert D. Gore, Jr.
President of the Senate
Washington, D.C. 20510

Dear Mr. President:

I am pleased to provide you with the enclosed report on disregards under the Old Age and Survivors Disability Insurance (DI) and Supplemental Security Income (SSI) programs as required by Section 303(d) of the *Ticket to Work and Work Incentives Improvement Act* (P.L. 106-170).

This report is also being sent to the Speaker of the House.

Sincerely,

Kenneth S. Apfel
Commissioner
of Social Security

Enclosure

cc:
Chairman, Senate Finance Committee
Chairman, House Ways and Means Committee
Chairman, Human Resources Subcommittee
Chairman, Social Security Subcommittee
Chairman, Senate Appropriations Committee
Chairman, House Appropriations Committee
Chairman, Senate Budget Committee
Chairman, House Budget Committee

The Honorable J. Dennis Hastert
Speaker of the House of Representatives
Washington, D.C.   20515

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Executive Summary

As required by Section 303(d) of the *Ticket to Work and Work Incentives Improvement Act of 1999*, this report identifies all income and resource disregards (exclusions) under the Supplemental Security Income (SSI) and Social Security Disability Insurance (DI) programs. It analyzes selected exclusions and provides a range of options for their modification. It also discusses several issues pertaining to the SSI exclusion concerning educational grants, scholarships, and fellowships. Finally, it examines and presents options for selected earnings-related provisions in the DI program.

SSI is a program of last resort for the aged, blind, and disabled whose income and resources are below specified levels. Therefore, income and resource exclusions pertain to the SSI program. On the other hand, DI is an entitlement program, and is thus, not means-tested. Earnings in the DI program are used to measure work incapacity in making initial and continuing disability determinations.

SSI law requires some income and some resources to be excluded from countable income and resources for determining eligibility and payment amount. SSI income may be divided into two types: unearned income and earnings. A variety of exclusions apply to both types of income. Regarding unearned income, about two-thirds of aged beneficiaries and one-third of disabled beneficiaries aged 18 through 64 also receive Social Security benefits. Fewer than 2 percent of the aged and about 7 percent of SSI beneficiaries with disabilities aged 18 through 64 receive earned income. More than half (54 percent) of SSI beneficiaries receive no income other than SSI benefits, and therefore would not be affected by any changes to income exclusions.

The following SSI exclusions and DI earnings-related provisions are examined in detail in this report, along with options to modify them:

<u>SSI Exclusions</u>

- $20 general income exclusion
- $65 earned income exclusion
- Impairment-Related Work Expenses
- Infrequent and irregular income exclusion
- Dedicated accounts
- Resource limits - $2,000 for an individual and $3,000 for a couple
- Resource exclusions and limits, burial spaces, burial funds, and life insurance
- Educational grants, scholarships, and fellowships exclusion
- Student earned income exclusion

DI Earnings-Related Provisions

- Substantial Gainful Activity
- Trial Work Period services amount

Before endorsing or adopting any of these options, it would be necessary to assess how they would interact with one another as well as how they would affect other SSI provisions and related programs such as Medicaid and State supplementation. However, SSA is not recommending any specific option.

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Section 1

INTRODUCTION

Scope of the Report

In accordance with the requirements in Section 303(d) of the *Ticket to Work and Work Incentives Improvement Act of 1999* (P.L.106-170), this report identifies all income and resource disregards (exclusions) under the current Supplemental Security Income (SSI) program, specifies the most recent statutory or regulatory change, and provides options to modify selected exclusions.

Further addressed are specific issues on the exclusion relating to grants, scholarships or fellowships to cover tuition and fees at educational institutions. The legislation also required information on DI disregards; therefore the report also identifies earnings-related provisions in the Social Security Disability Insurance (DI) program. The SSI program is a means-tested program; therefore, income and resource rules apply in determining eligibility and payment amounts. However, the DI program is an entitlement program; thus, income and resources are not used as a means test. Rather, earnings are used as a measure of ability to work in making initial and ongoing disability determinations. Therefore the issue of income and resource exclusions pertains almost entirely to the SSI program.

While the report provides options to modify certain SSI exclusions and DI earnings-related provisions, SSA is not recommending that any specific option be adopted.

Background and Purpose of the SSI Program

The Social Security Act of 1935 provided matching Federal funds as an incentive for States to establish assistance programs for the needy aged, blind and disabled. These programs, known as Old-Age Assistance, Aid to the Blind, and later, Aid to the Permanently and Totally Disabled, were intended to provide income for those who did not qualify for Social Security, or whose Social Security benefits were inadequate. However, beginning in the 1960s, the State programs were criticized for their widely varying eligibility requirements and benefit levels.

In 1972, Congress passed legislation to replace the State programs with the Federally-administered SSI program. Implemented in January 1974, the new program created uniform eligibility standards and minimum national benefit levels, added a benefit for disabled children and provided fiscal relief for the States. Currently, about 6.6 million aged, blind, and disabled individuals rely on SSI to provide income for the basic necessities of food, clothing, and shelter. Federal SSI benefit payments totaled about $28 billion in FY 1999. The SSI legislation also provided for optional and in some cases mandatory State supplementation of the Federal benefit. In FY 1999, Federally-administered State supplementation payments totaled about $3.2 billion.

Basic SSI Program Eligibility

To be eligible for SSI benefits, an individual must be at least 65 or blind or disabled, a United States citizen or an eligible noncitizen and reside in the United States. To qualify as disabled, adults age 18 through 64 must be unable to engage in any substantial gainful activity because of an impairment expected to result in death or last at least 12 months. Children must also meet specific medical criteria. Eligibility based on blindness requires that a person's corrected vision may not be better than 20/200 or that a person have a limited visual field of 20 degrees or less with the best correction. In addition, an individual's income and resources must be within specified limits to ensure that SSI benefits are targeted to the neediest among the aged, blind and disabled.

The amount of a person's income is used to determine both eligibility for, and the amount of, that person's benefit. In certain situations, other people (usually parents and spouses) are expected to share financial responsibility for an individual. In such cases, the income and resources of these people are considered in determining the person's eligibility.

SSA field office employees determine whether an individual (aged, blind or disabled) meets the SSI nonmedical eligibility requirements. Currently, an individual cannot be eligible for Federal SSI benefits if he or she has countable income of more than the Federal benefit rate (FBR) of $512 a month ($769 for a couple). The FBR is reduced dollar-for-dollar by the amount of the individual's countable income. The Social Security Act defines two kinds of income: earned and unearned. Earned income is wages and net income from self-employment. All other income, such as Social Security benefits, workers' compensation or income received in-kind (i.e., food, clothing or shelter-related items), is unearned.

The resources of an individual cannot exceed $2,000 or, in the case of an individual with an eligible spouse living in the same household, $3,000. Resources are not precisely defined in the statute, but SSI regulations define a resource as cash or other liquid assets or any real or personal property that an individual (or spouse or parent) owns and could convert to cash to be used for his or her basic needs.

A variety of exclusions apply to earned and unearned income. Most exclusions that have an associated monetary level have not changed since the 1972 enactment of the SSI program.

Two of the main exclusions to income relate to work. The $20 general income exclusion is applied first to unearned income; any unused portion may be applied to exclude earned income. This exclusion generally ensures that those who worked (or those who are dependents of someone who worked) enough to receive some Social Security benefit or pension will receive more in total benefits than those who did not. The purpose of the earned income exclusion is to encourage work. The first $65 of earned income, plus one half of the remainder, is excluded from countable income.

The following chart illustrates how different exclusions affect a beneficiary's SSI payment and total income.

Benefit Determinants	Source of Income			
	No other income	**Unearned only**	**Earned Only**	**Earned & unearned**
Maximum SSI Payment (FBR 2000)	**$512**	**$512**	**$512**	**$512**
Income				
Unearned		$100		$100
Earned			$95	$95
Total		**$100**	**$95**	**$195**
Exclusions				
General Income		$20	$20	$20
Earned Income			$65	$65
1/2 remainder Earned Income			$5	$15
Total		**$20**	**$90**	**$100**
Countable Income (Income minus Exclusions)		**$80**	**$5**	**$95**
Adjusted SSI Payment (Max SSI minus Countable Income)	**$512**	**$432**	**$507**	**$417**
Gross Income (SSI & other income)	**$512**	**$532**	**$602**	**$612**

Income Characteristics of SSI Beneficiaries

Currently, 46 percent of SSI beneficiaries have some other source of income in addition to their SSI and/or State supplementation payment. This other income may be divided into two types: unearned income--the majority of which is Social Security benefits--and earnings. The incidence of income varies with age as the following table indicates.

Percent of SSI Beneficiaries with Other Income				
	Over age 65 (aged)		Age 18 to 64	
	1982	1998	1982	1998
Social Security benefits	69.2	60.5	31.3	30.1
Other unearned income	11.9	15.7	9.1	8.3
Earned income	1.6	1.6	6.2	7.2

Beneficiaries over age 65 are twice as likely to receive Social Security benefits as younger adult beneficiaries (61 percent versus 30 percent as of 1998). The aged are also more likely to have other unearned income (various pensions, asset income – 16 percent vs. 8 percent), but less likely to have earnings (2 percent vs. 7 percent).

The income picture for SSI beneficiaries age 65 and older has changed over the years. The proportion with Social Security benefits has decreased from 69 percent in 1982 to 61 percent in 1998, while the proportion with other unearned income has increased from 12 percent to 16 percent. In both time periods less than 2 percent had earnings.

Among adults aged 18 through 64, Social Security benefit receipt remained steady as did other unearned income. Earnings increased somewhat, but nevertheless, it is important to note that more than half of SSI beneficiaries have SSI payments as their sole source of income. Specifically, about 34 percent of beneficiaries over age 65 have SSI as their only source of income and about 60 percent of beneficiaries with disabilities have no other source of income.

Changes in Benefits Over Time

Even before the SSI program went into effect, Congress recognized that inflation would quickly erode benefits. In the original 1972 legislation, the Federal benefit rate for an individual was $130, to be paid first in January 1974. However, the day before the SSI program was to have begun, Congress increased the benefit to $140 effective January 1974, and to $146 effective July 1974. Congress approved automatic cost-of-living adjustments in August 1974; increases are the same percentage and become effective in conjunction with those for Social Security benefits.

This indexing has allowed SSI benefits to keep pace with inflation just as the Old Age and Survivors Insurance benefits and Disability Insurance benefits do. Income from SSI benefits constitutes about the same percentage of poverty threshold now as it did in 1972, that is, about 71 percent for one beneficiary and about 84 percent for an eligible couple. However, income exclusions and resource limits are not indexed. As a result, for today's SSI beneficiaries with other income, overall purchasing power is somewhat less than it was in the 1970s.

Organization of the Report

The following four sections provide detailed information on the SSI income and resource exclusions and DI earnings-related provisions. Section 2 analyzes several specific exclusions and presents a range of options for their modification. Section 3 discusses the SSI exclusion related to educational grants, scholarships and fellowships and the student earned income exclusion, while Section 4 provides options for several DI earnings provisions. Finally, Section 5 lists and describes the remaining SSI exclusions and DI earnings-related provisions.

Section 2

SELECTED SSI EXCLUSIONS AND OPTIONS

This section examines several SSI exclusions that also specify a particular dollar amount: the $20 general income exclusion, the $65 earned income exclusion, the infrequent and irregular income exclusion, the $2,000 ($3,000 for couples) resource limit. Because the value of exclusions has declined over time due to inflation, the discussion of each exclusion includes a chart that indicates its change in value, followed by a list of options. This section also examines several SSI exclusions that do not specify a dollar amount: income related work expenses, dedicated accounts, and certain resource exclusions.

An important effect of the erosion of the value of exclusions is that the program has become increasingly more complex for beneficiaries to understand and for SSA to administer. For example, 25 years ago fewer than half of the SSI population who worked had earnings over $65; therefore beneficiaries' payment levels stayed constant over a long period of time. Now, however, a far larger number of beneficiaries have earnings above that level, and, therefore, must frequently report small amounts of earnings; SSA must adjust benefits accordingly, usually on a monthly basis.

The result of maintaining the same monetary levels for exclusions has been an implicit tightening of program eligibility. Therefore, the options presented in this section are generally designed to restore some proportion of the exclusion's value that has been lost over time. At the same time, a number of options would simplify administration of the program by once again sweeping very low income under the level of the exclusions. Of course, these options would also increase the cost of the SSI program by increasing benefit amounts and by making more people eligible for the SSI program. These options would also increase State and Federal Medicaid costs as well as State Supplementation.

Within this framework, there are many possibilities for implementation that would ease the fiscal impact. For example, changes to several exclusions could be phased in one at a time, or exclusion amounts could be increased gradually. Different options also fulfill different goals. Depending on policy goals, exclusions could be structured to reward work, reduce poverty among the poorest beneficiaries, enhance educational opportunities, or simplify program administration.

Each exclusion presented here is analyzed separately. If several changes were made at the same time, further analysis would be necessary to assess how they might interact with one another, with other SSI provisions, and with related programs. The

SSI exclusions are discussed in terms of how they apply to beneficiaries. However, these exclusions also apply in various ways to the process known as “deeming” which takes into account others’ financial responsibility toward the beneficiary. Any changes to the exclusions would need to recognize conforming changes in the deeming process.

$20 General Income Exclusion (GIE)

Description of Exclusion: The first $20 per month of unearned income of an individual (and eligible spouse), other than income from other Federally-funded means-tested programs, is excluded from an SSI beneficiary's countable income. Any portion of this $20 amount not used to exclude unearned income is used to exclude earned income.

Source of Exclusion: Statutory – Section 1612(b)(2)(A) of the Social Security Act

Intent of Exclusion: This exclusion was intended to ensure that SSI beneficiaries who previously worked and, therefore, have monthly income from Social Security benefits or other sources, would have a higher total monthly income than would those who had not. Although it was assumed that the exclusion would most often apply to Social Security benefits, it also applies to income from any other source except for assistance based on need such as Temporary Assistance for Needy Families (TANF) or Department of Veterans' Affairs (VA) pensions.

Last Modified: The $20 general income exclusion (GIE) has not been modified since the initial 1972 SSI legislation was enacted.

Inflation Impact: If the $20 exclusion had been raised to its inflation-adjusted equivalent in January 2000, an individual would have been able to keep about $80 per month of unearned income. The $20 GIE amount as enacted in 1972, is now worth $5. Therefore its significance as recognition of past work is substantially reduced. As a result, the value of SSI benefits has declined for many beneficiaries. In 1974, the $20 exclusion represented over 14 percent of the $140 Federal benefit rate (FBR) for an individual compared to less than 4 percent of the current $512 FBR for an individual.

Exclusion Amount	Value in 2000 Dollars	Value Indexed to CPI-W[1]
$20	$5	$80

[1] The CPI-W is also used by SSA to calculate the COLA.

Distributional Analysis:

The exclusion was originally targeted at the aged who were receiving Social Security benefits. However, the aged as a percent of the SSI population declined from 40 percent in 1982[2] to 20 percent in 1998. During this same time period, the percent of aged SSI beneficiaries receiving Social Security benefits declined. Even so, 61 percent of the SSI aged receive Social Security retirement benefits.

The percent of working-age SSI beneficiaries also receiving Social Security benefits remained fairly constant. The category of unearned income includes veterans' benefits and other pensions received by about 2 percent of SSI beneficiaries in 1998. One conclusion from these observations is that there is still a large proportion of aged SSI beneficiaries who gain from this exclusion by having a small portion of their Social Security benefits excluded from countable income.

Options for Modifying Exclusion:

1. Increase the GIE to any amount up to $80.

If the goal is to adjust the GIE for some portion of the inflationary growth that occurred since 1974, the GIE could be increased to any amount up to $80. Such an increase would enable those SSI beneficiaries who are also receiving Social Security benefits and other unearned income to retain more of their SSI benefit, and would restore the exclusion to its original congressional intent by more tangibly rewarding past work.

However, the increased benefit amount would likely expand the population eligible for SSI, and result in increased SSI program costs. For example, an increase to $30 would result in a 10-year program cost of about $3.4 billion. (Full details on cost implications can be found in the tables at the end of the report.)

This option would benefit up to 3 million SSI beneficiaries who have additional income. Modifying this exclusion by an increase would result in a restored value of reward for those beneficiaries who have a previous or current connection to the labor force (or were dependents of someone who had a connection).

If the GIE were to be increased and the goal is to maintain the exclusion's value, it could be automatically indexed to the CPI-W in future years to account for inflationary growth.

[2] 1982 was the first year age data is available.

2. **Eliminate the GIE and raise the Federal benefit rate (FBR) for individuals by $20 and for couples by $30.**

   Rather than modifying the GIE, this option would benefit the most needy on the rolls--those who have no income other than SSI--by eliminating the GIE and increasing the FBR by $20 ($30 for eligible couples, to maintain the existing ratio of the individual FBR to the couple FBR). This option: (1) provides additional income to most beneficiaries; and (2) would simplify the program by making it easier for beneficiaries to understand and easier for SSA to administer.

   The relationship of the FBR to the poverty threshold has remained more or less constant over the life of the program, with the FBR for an individual at about 71 percent of the poverty guideline for one and the FBR for an eligible couple at about 84 percent of the poverty guideline for a two-person household. Increasing the FBRs by $20 and $30 respectively would result in the ratio for an individual rising to 74 percent and 87 percent for a couple.

   This option raises the income of individuals without any income other than SSI by $20 per month ($30 for eligible couples), while the total income of those who currently benefit from the full $20 exclusion would generally remain the same. It benefits the majority of SSI beneficiaries, since about 54 percent of the 6.6 million beneficiaries on the rolls have no income other than SSI. However, by eliminating the GIE, this option would not specifically reward past work as originally intended by Congress in establishing this exclusion.

   The option would benefit working-age SSI beneficiaries with disabilities, since almost 60 percent of those have no other income as opposed to the approximately 32 percent of the aged who have no other income. Moreover, about 80 percent of SSI beneficiaries under age 18 have no other income.

   While this option achieves improved benefit adequacy for those with no other income, it dilutes from the original intent of Congress in creating a GIE: to provide a higher income to individuals who participate or have participated in the labor force.

$65 Earned Income Exclusion (EIE)

Description of Exclusion: The first $65 of earned income per month plus one-half of the remainder is excluded from aged or disabled SSI beneficiaries' countable income. In addition, any portion of the $20 general income exclusion not used to exclude unearned income is used to exclude earned income. Earned income is wages, net earnings from self-employment, remuneration for work in a sheltered workshop, royalties on published work, and honoraria for services.

Source of Exclusion: Statutory - Section 1612(b)(4) of the Social Security Act specifies the exclusion and the amount excluded.

Intent of Exclusion: At enactment of the SSI program, Congress recognized that some people would work to become self-supporting even when receiving benefits. To encourage work, Congress established provisions that resulted in higher levels of income for those who work than could be had without working. Therefore, in determining eligibility for, and the amount of, SSI benefits, a $65 exclusion for earned income[3] was established.

Last Modified: The $65 earned income exclusion (EIE) has not been modified since the initial 1972 SSI legislation was enacted.

Inflation Impact: If the $65 exclusion had been raised to its inflation-adjusted equivalent in January 2000, an individual would have been able to keep about $260 per month of earned income. The EIE of $65, as implemented in 1974, is now worth $16. As a result, the exclusion no longer effectively rewards work, and the value of SSI benefits has declined for those beneficiaries who do work. In 1974, the EIE represented almost 50 percent of the $140 Federal benefit rate (FBR) for an individual compared to about 13 percent of the current FBR for an individual ($512).

Exclusion Amount	Value in 2000 Dollars	Value Indexed to CPI-W[4]
$65	$16	$260

The reduced value of the earned income exclusion also has added administrative costs and complexity to the program. When Congress established the exclusion, fewer than half of the SSI population who worked had earned income that exceeded $65 in

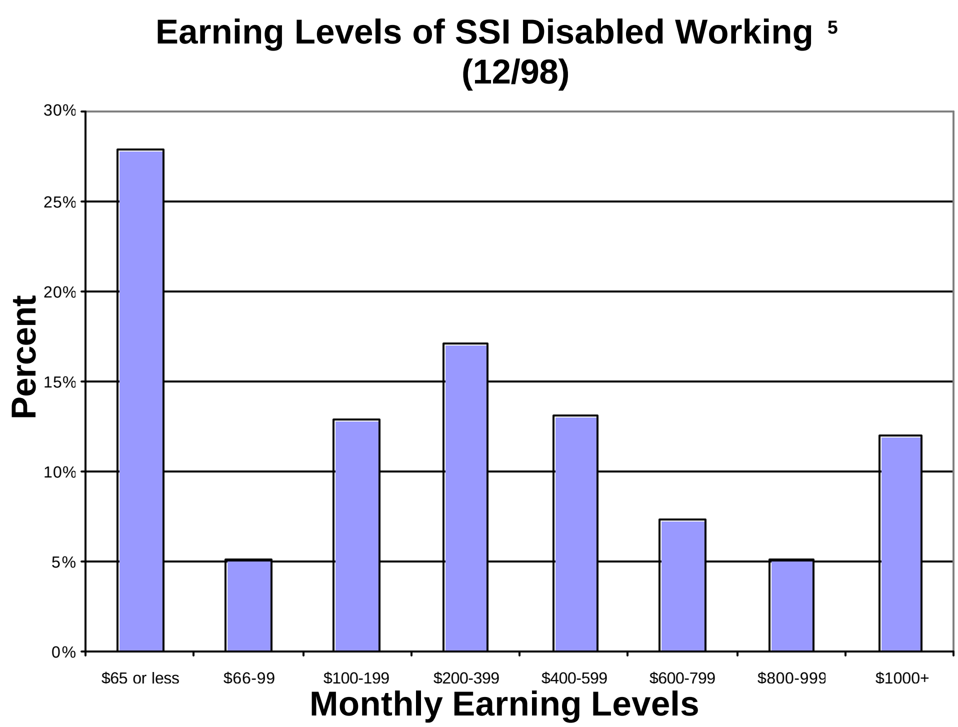
[3] Other earned income exclusions include $10 per month of amounts received infrequently and irregularly, impairment-related work expenses of the disabled and work expenses of the blind, the Student Child Earned Income, and the income set aside or being used to pursue an SSA-approved Plan for Achieving Self-Support (PASS).

[4] The CPI-W is also used by SSA to calculate the COLA.

any month. Now, however, if a beneficiary works only 13 hours at the minimum wage of $5.15, he or she would exceed the exclusion. In addition to penalizing very modest work efforts, the beneficiary must report these earnings and SSA must reduce benefits accordingly. While only a small proportion of beneficiaries have any earnings, the burden on beneficiaries to report insignificant earnings, and on SSA field office employees to adjust monthly payments of almost 300,000 beneficiaries imposes increasing administrative costs and complexities.

Distributional Analysis:

SSI beneficiaries who work generally have very low earnings and represent only 4.5 percent of the SSI rolls. Less than 2 percent of SSI beneficiaries age 65 or older had earned income as of December 1998, while over 7 percent of SSI beneficiaries with disability had earned income. Therefore, the graph below focuses on SSI beneficiaries with disabilities (aged 18 through 64). The graph illustrates that about 46 percent of SSI beneficiaries with disabilities who worked had monthly earnings under $200, and one-third had monthly earnings under $100.



[5] This chart includes section 1619(b) participants who do not receive a SSI payment, but who have special SSI recipient status for Medicaid purposes. The earnings of these 1619(b) participants, however, averaged around $1,002 per month.

Option for Modifying Exclusion:

Increase the EIE to any amount up to $260.

Various options for selecting an amount could be adopted based on increases of any amount up to $260 to adjust the EIE for some of the inflationary growth that occurred between 1972 to the present. By adjusting for inflation, this option increases beneficiary income, and restores the significance of the EIE for those beneficiaries who work. The increased exclusion amount, however, would increase monthly benefits, therefore resulting in increased program costs. For example, an increase to $100 would result in a 10-year program cost of about $1 billion. (Full cost details can be found at the end of the report.)

If more earnings were allowed to be excluded under a higher EIE, SSA's administrative work in handling fluctuating wages and the resultant problem of overpayments would be correspondingly reduced.

Consistent with the original intent of Congress, increasing this exclusion would reward individuals who choose to participate in the labor force. However, except for cases in which a portion of the wages of another is deemed to be the income of a beneficiary, this option would have no effect for the 95.5 percent of SSI beneficiaries who have no earned income. The program expenditures described here are directed at the 4.5 percent of SSI beneficiaries who have earned income[6].

If the EIE were to be increased and the goal is to maintain the exclusion's value, it could be automatically indexed to the CPI-W in future years to account for inflationary growth.

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[6] As of December 1998

Impairment-Related Work Expenses (IRWE)

Description of Exclusion: The cost of certain impairment-related expenses and items that an SSI disabled (but not blind) person needs are excluded from earned income in determining monthly countable income when:

- the item or service for which the expense is incurred enables a beneficiary to work;
- the cost is not reimbursed by another source (e.g., Medicare, Medicaid, private insurance);
- the expense is reasonable--it represents the standard charge for the item or service in the person's community;
- the expense is paid in the same month that earned income is received or work is performed while the person used the impairment-related item or service;
- in calculating these expenses, an amount equal to the cost of certain attendant care services, medical devices, equipment, prostheses and similar items and services is deductible from earnings (Note: The cost of routine drugs and medical services is not deductible unless needed to control the disabling condition).

Source of Exclusion: Statutory Authority -- Social Security Act §1612(b)(4)(B) specifies the exclusion.

Intent of Exclusion: If an individual must incur certain work-related expenses because of an impairment, such expenses reduce countable earned income (thereby raising the monthly SSI payment) at the rate of $1 for every $2.

Last Modified: The *Omnibus Budget Reconciliation Act of 1990* (P.L. 101-508) excluded IRWEs in determining initial eligibility and for State supplementary payment purposes.

Distributional Analysis: As of December 1999 slightly more than 9,500 persons had their countable income (and monthly SSI payment) affected by IRWEs. About 22 percent of these individuals had countable income excluded by less than $25. Another 28 percent had $25 to $49 in countable income excluded, and slightly less than 30 percent had IRWE's of between $50 and $99. The balance (about 21 percent) had IRWE exclusions of $100 or more.

Option for Modifying Exclusion:

Convert non-blind IRWE to the blind work exclusion (BWE). Section 1612(b)(4)(A) of the Social Security Act provides for a BWE. Specifically, any expenses reasonably attributable to the earning of income, including expenses that are unrelated to the individual's impairment(s), reduce countable earned income (thereby increasing the monthly SSI payment) on a dollar-for-dollar basis. Assuming no induced effect (additional applications as a result of the change), about 9,500 recipients would have a marginal increase in their monthly SSI payment.

Program Effect: Cost of $2-3 million per year in the first 5 years after enactment.

Infrequent/Irregular Income Exclusion

Description of Exclusion: Unearned income that an individual receives infrequently or irregularly is excluded if the total of such income does not exceed $20 per month. **Earned** income that an individual receives infrequently or irregularly is also excluded if the total of such income does not exceed $10 per month. Regulations provide that income is received infrequently if it is received no more than once in a calendar quarter from a single source. Income is received irregularly if the recipient could not reasonably expect to receive the income.

The exclusion is all or nothing. That is, if infrequent and/or irregular unearned income exceeds $20 in a month, none of it can be excluded under this provision. Likewise for infrequent and/or irregular earned income exceeding $10 in a month. Infrequent and irregular income is most commonly received as small gifts and interest from bank accounts.

Source of Exclusion: Statutory - Section 1612(b)(3) of the Social Security Act specifies the exclusion and the amount excluded.

Intent of Exclusion: The original SSI legislation contained a provision excluding infrequent and irregular unearned income of $60 per quarter and $30 of earned income per quarter. The intent in excluding these amounts is that it would help simplify administration of the SSI program by allowing SSA to ignore occasional small gifts and small amounts of earnings that might result from an occasional odd job.

Last Modified: *The Omnibus Budget Reconciliation Act of 1981* changed the amount of the exclusion to $20 a month for unearned and $10 a month for earned income to conform with the change from a quarterly to a monthly accounting system. Otherwise, the exclusion has not been modified since the beginning of the SSI program.

Inflation Impact: As the following table illustrates, the infrequent/irregular income exclusion has lost about three-quarters of the value it had in 1972, when Congress originally set the amounts. The 1972 $20 unearned income exclusion is equivalent to approximately $5 in year 2000 dollars. The $10 unearned income exclusion is equivalent to roughly $2.50. If these exclusion amounts were indexed for inflation using the CPI-W they would now be approximately $80 and $40 for the unearned and earned income exclusions respectively.

Unearned Income Exclusions		
Exclusion Amount	Value in 2000 Dollars	Value Indexed to CPI-W[7]
$20	$5	$80

Earned Income Exclusions		
Exclusion Amount	Value in 2000 Dollars	Value Indexed to CPI-W
$10	$2.50	$40

Options for Modifying Exclusion:

Congress exempted small amounts of infrequent and irregular income for administrative simplicity. Excluding small amounts of income without a reduction in benefits also can allow beneficiaries limited increases in their income from time to time. As shown above, however, the ability of this exclusion to achieve either of these goals has been greatly diminished by the impact of inflation.

Also, the change from quarterly to monthly exclusions unintentionally disadvantaged some SSI beneficiaries by lowering the cap on the amount of infrequent and irregular income that could be excluded at one time. Field offices report that it is not possible to apply these exclusions on a frequent basis, possibly because of their low limits. Moreover, the absence of increases to these exclusions has the unintended effect of discouraging friends and family from providing support to needy individuals.

The following options would restore the exclusion to the initial value set by Congress, and also address the inflexibility of the current monthly cap. These options are not mutually exclusive and could be combined.

1. **Increase the $20 irregular and infrequent unearned exclusion to any amount up to $80 of unearned income and increase the $10 earned income exclusions to $40 of earned income.**

   This option would compensate for the inflation that occurred between 1972 to the present. Increasing the exclusion amounts would restore its value both as a means of achieving administrative simplicity as well as offering a slight advantage to those beneficiaries receiving irregular/infrequent income. A higher exclusion level for both earned and unearned income may allow beneficiaries to take advantage of these exclusions.

[7] The CPI-W is also used by SSA to calculate the COLA.

Allowing beneficiaries to receive larger amounts of infrequent and irregular income without an offset in their benefits may help them to further meet their personal needs and may improve incentives for family and friends to give occasional gifts. If the goal is to maintain the future value of the exclusion, the increased amount could be indexed to the CPI. Additionally, if the limit is raised, fewer changes to benefits would be necessary, thereby reducing administrative costs and payment errors.

2. **Return to a quarterly exclusion.**

   This option eliminates the disadvantage that was created in the shift from quarterly to monthly accounting. A $60 quarterly exclusion would allow larger sums to be excluded at one time than the current $20 per month. For example, a $25 cash birthday gift that would currently be counted as income could be excluded under this option as long as it falls under the $60 quarterly limit. It also increases the flexibility for excluding income from multiple sources in one month, assuming the implementation of a cumulative exclusion in place of the current all or nothing policy. If a $15 gift is paid in the same month that $10 of interest income is paid, neither payment is excluded under current limits, but both would be excludable under this option.

3. **Combine the earned and unearned exclusions into one category.**

   This creates one exclusion for all infrequent and irregular income. Doing so increases the flexibility of the exclusion, enabling larger amounts to be excluded at one time. Of the total number of persons receiving Federally-administered benefits in 1998, only 4.5 percent had earned income. Anecdotal evidence suggests that this exclusion is applied more frequently to unearned income than to earned income. Combining the categories may result in more irregular/infrequent income, mostly unearned, being excluded. This change may make the exclusion more useful to beneficiaries and easier to administer.

4. **Exclude all interest and dividends earned on countable liquid resources as income for determining an individual's SSI eligibility and payment amount.**

   Currently, SSA excludes only interest and dividend income reported on a quarterly basis as irregular and infrequent income. Interest income received on a monthly basis is countable as unearned income. This new exclusion would eliminate the inequity that exists between the treatment of monthly and quarterly interest income.

Because the countable resource limits are so low, the interest and dividend income earned on these accounts is minimal. In 1999, the average monthly interest and dividend income was $6.80, and only 3.6 percent of SSI beneficiaries had such income[8]. The proposed change would simplify the administration of the program by eliminating the need to track these small amounts and the need to pursue or waive the recovery of overpayments caused from increases to interest and dividend income. The proposed change may also encourage more beneficiaries to save within the resource limits and allow greater self-sufficiency for beneficiaries.

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[8] Information provided is for December, 1999. Asset income includes mostly interest and dividends, but also some rents and royalties.

Dedicated Accounts

Description of Exclusion: A dedicated account is an account in a financial institution that exists to receive and maintain SSI past-due benefits (underpayments). Funds including interest earned in a dedicated account are permanently excluded and not subject to the 6-month limit for exclusion of underpayments from countable resources.

Generally, the SSI program limits the amount of resources, such as cash, financial assets, or property a person may own and remain eligible for benefits. SSI underpayments are excluded from countable resources for 6 months after receipt.

Underpayments often accrue while an applicant awaits a disability determination. For a beneficiary under age 18, the law requires that underpayments representing more than 6 months' worth of the maximum amount of benefits payable to an individual (unreduced Federal benefit plus Federally-administered State supplement) must be deposited into a dedicated account. A representative payee may also elect, but is not required, to deposit any subsequent underpayment in the amount of at least 1 month's worth of the maximum benefit into an existing dedicated account.

Representative payees may only spend dedicated account funds for medical treatment and education or job skills training. If related to the child's impairment, a payee may also spend dedicated account funds on personal needs assistance, special equipment, housing modification, therapy or rehabilitation, or other items or services SSA determines to be appropriate.

Source of Exclusion: Statutory - Section 1613(a)(12) and section 1631(a)(2)(F) of the Social Security Act prescribe the exclusion and use of the accounts respectively.

Intent of Exclusion: Congress created and excluded dedicated accounts to ensure that representative payees for children would use substantial underpayments to purchase items or services that improve or treat the child's condition or are otherwise related to the disability.

Last Modified: This provision has not been modified since enactment as part of the *Personal Responsibility and Work Opportunity Reconciliation Act of 1996* (P.L. 104-193).

Options for Modifying Exclusion:

Dedicated accounts allow representative payees to conserve funds for anticipated expenses over a period of time without the child losing eligibility for benefits. However, the accounts also restrict the representative payee's discretion regarding the use of funds. The exclusion of dedicated accounts increases the Agency's administrative burden, since it is difficult to develop guidelines for all possible appropriate uses that could be made of the funds.

In addition, the dedicated account provision creates confusion for parents who must adhere to two separate rules for using SSI benefits: (1) one for monthly SSI payments; and (2) one for funds deposited into dedicated accounts. Parents have difficulty understanding why they can not use dedicated account funds for the child's food, clothing, and shelter needs.

From October 1998 through July 1999, 25,366 dedicated accounts (about 2,500 per month) were established.[9] The average past-due benefit deposited in these dedicated accounts was $5,375.

The following options simplify program administration and increase the ability of parents and other representative payees to use benefits in the child's best interest.

1. **Eliminate the dedicated account provision. Allow the payees of beneficiaries with dedicated accounts up to 18 months to use the funds according to general representative payee rules (i.e., in the beneficiary's best interest) before counting the funds as a resource.**

   An 18-month period would permit time to use funds appropriately before any retained funds became countable resources. Moreover, on an ongoing basis SSA retains two basic mechanisms to ensure that beneficiaries have time to spend retroactive payments appropriately. First, Social Security and SSI underpayments of any amount are excluded from countable resources for 6 months.

   Second, the installment payment provision comes into play for any underpayment in excess of 12 months' worth of the maximum benefit payable. Under this provision (Section 1631(a)(10)(A) of the Act), SSA must pay out any such underpayments in installments, in a maximum of 3 installments. Neither of the first two installments may exceed 12 months' worth of maximum benefits. Each subsequent installment is paid 6 months after the previous installment. The effect

[9] Based on a system count of cases processed in the first 10 months of automation.

of this provision is to permit up to 18 months for use of large underpayments before the funds become countable resources.

Regarding appropriate use of benefits, SSA can respond to misuse of benefits through the current general rules for representative payees. These rules require benefits to be used in the best interest of the beneficiary and hold the representative payee liable for repayment of any misused funds.

Ninety-four percent of payees for dedicated account cases are parents. Therefore, this option would allow parents more flexibility to act in their children's best interest.

This option would have a negligible impact on program costs, since these persons are currently eligible and no new claimants would become eligible as a result of the change.

2. Combine Option 1 with an alteration in the installment payment provision.

The installment payment provision could be modified to require that underpayments in excess of six times the maximum monthly benefit be paid in installments. The amount payable for each installment could be reduced to an amount not exceeding six times the maximum monthly benefit for all but the last installment. The number of installment payments could be increased to four or more. Current exceptions to installment payments such as situations of ineligibility, impending death, or documented liabilities or expenses would remain. However, another modification to the installment process would increase administrative complexity.

Resource Limit

Description of Limit: The SSI program limits the amount of resources beneficiaries may own and still be eligible for benefits. These limits are $2,000 for individuals and $3,000 for couples. Resources consist of cash, other liquid assets, or property that an individual owns and could convert to cash.

Source of Limit: Statutory - Section 1611(a)(3) of the Social Security Act prescribes the limits for countable resources. The Act does not define resources. Regulations, at 20 CFR 416.1201, define resources.

Intent of Limit: Congress allowed beneficiaries to retain a certain amount of resources to cover costs of an urgent nature that could not be covered by the monthly payment. Congress established limits on the amount of resources beneficiaries could maintain that were similar to those of the State programs SSI supplanted. By placing limits on countable resources, Congress intended to target benefits to the neediest applicants, since income alone is not a complete measure of economic status.

Last Modified: The *Deficit Reduction Act of 1984* (P.L. 98-369) gradually increased the resource limit from $1,500 for individuals and $2,250 for couples to $2,000 and $3,000 respectively during the years 1985-1989 and excluded retroactive Social Security and SSI payments for 6 months.

Inflation Impact: As the table below illustrates, the real value of countable resources SSI beneficiaries may maintain has dropped approximately two-thirds since the beginning of the program. The resource limits set in 1972 are equivalent to approximately $6,000 for an individual and $9,000 for a couple in current dollars.

Effect of Inflation on Resource Limit[10]

	Current Limit	1972 Enactment Limit	1972 Limit in 2000 Dollars	1972 Limit Indexed Since 1972
Individual	$2,000	$1,500	$400	$6,000
Couple	$3,000	$2,250	$600	$9,000

Current resource limits affect program access for the aged more than the disabled. In 1998, slightly over 20 percent of aged applicants were denied because of excess resources, compared to about 4 percent of disabled adults and 2 percent of disabled children. In 1998, about 4 percent of benefit suspension for beneficiaries age 65 or

[10] Based on increase in Consumer Price Index for Urban Wage Earners and Clerical Workers from third quarter average to third quarter of each calendar year, rounded to nearest $100.

older were caused by excess resources, compared to 3 percent of suspensions for beneficiaries under age 65.

While receiving benefits, the level of resources held by most SSI beneficiaries is quite low, according to an SSA study published in August 1989. Approximately 28 percent of SSI beneficiaries had $100 or less in countable resources; approximately 12 percent had resources exceeding $1,000. Therefore, the resource limits affect benefit adequacy by eliminating eligibility for a relatively small segment of the beneficiary or applicant population.

Options for Modifying Resource Limit: The resource limit was intended to direct benefits to the neediest persons, but it may also prevent some needy persons from becoming eligible for a period of time. The real (inflation-adjusted) value of the resources beneficiaries are allowed to maintain has dropped over time. Increasing the resource limit would allow applicants and beneficiaries with low incomes to retain or increase their ability to cope with unexpected expenses as Congress originally envisioned.

In considering the extent to which the resource limits should be increased, it may be useful to view the context of resources held by other low-income families who are not receiving SSI. In 1995, the median value of financial assets held by the poorest 20 percent of families was $490.

1. **Increase the resource limit to any amount up to $6,000 (individual) and $9,000 (couple)**

   New limits, for example, at $3,000 (individual) and $4,500 (couple) would reflect updating for one-half of inflationary increases since the program's enactment. New limits at $6,000 (individual) or $9,000 (couple) would reflect full indexing. Automatically indexing the new limits on a yearly basis would prevent further erosion of the resource limit's value.

   Increasing the limits to $6,000/9,000 would increase program costs by an estimated $1.8 billion over 10 years.

   Increasing the limits to $3,000/4,500 would increase program costs by an estimated $152 million over 10 years.

- Increasing the resource limits would reduce poverty among persons who have low income, but have resources above current limits. This would benefit the aged more than the disabled, since the aged are more likely to be denied benefits based on excess resources. Increasing the resource limits would also reduce benefit re-application by persons who spend down their resources to become eligible. If limits were increased to $6,000/9,000, about 69,000 persons would become eligible for SSI, increasing the rolls by 1 percent in FY 2002.[11]

- If limits were increased to $3,000/4,500, about 13,000 persons would become eligible, increasing the rolls by .2 percent in FY 2002.

- SSA excludes some resources, like a house, car, business property, etc. in the tally of resources to which the limit applies. Congress has increased the value of some resource exclusions over the program's history. It could be argued that increases to specific exclusions have allowed beneficiaries to keep resources nearly equal to what they would be if the resource limits had been adjusted and the resource exclusions had not been adjusted. However, increases to resource exclusions do not help the majority of SSI beneficiaries, since most beneficiaries do not own these types of resources.

2. **Retain the current thresholds for initial eligibility, but increase the resource limit for persons who have remained eligible for SSI benefits for at least 1 year.**

The resource limit would be increased to $3,000 for an individual and $4,500 for a couple after 1 year of eligibility. Increasing the resource limit after a period of eligibility to benefits promotes the philosophy of a program of last resort, maintains current targeting of benefits, and provides an incentive for beneficiaries to save. It recognizes that with the passage of time some beneficiaries will experience a more stable financial situation and may desire to make provision for anticipated future needs through savings.

- Beneficiaries who work could set aside an increased portion of wages to help sustain them during breaks in employment.

- Beneficiaries who desire to increase savings to address unforeseen emergencies expenses such as automobile or home repairs would be able to do so.

- Increasing resource limits after initial entitlement does not benefit persons who must use their entire income for daily living, and presumably are the neediest beneficiaries.

- Establishing different eligibility criteria for persons applying for benefits versus persons receiving benefits increases administrative complexity and would require modification to SSA's payment system.

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[11] Based on actuarial projections of growth in numbers of persons eligible for Federal SSI payments from Annual Report of the SSI Program, May 1999.

<u>Resource Exclusions</u>

Description of Exclusions: As discussed in the previous sub-section, the SSI program limits the amount of resources beneficiaries may have to $2,000 for individuals and $3,000 for couples. Resources consist of cash, other liquid assets, or property that an individual owns and could convert to cash.

However, some resources are not counted (i.e., are excluded) when the Agency determines if a beneficiary's resources exceed the limit. Generally, excluded resources are a home, one automobile, property for self-support, burial spaces and certain insurance and funds , certain types of irregularly-received payments, and assets a person cannot sell to support himself. Limitations on maximum excluded amounts, time periods and other parameters of some exclusions are at SSA's discretion and are defined in the regulations.

Each exclusion is separate and distinct. Any number from none to all may apply depending upon the beneficiary's individual circumstances. Some, such as burial spaces and certain insurance and funds for burial, apply permanently, while others, those for certain types of payments such as crime victims' compensation, are of limited duration.

Source of Exclusion: Statutory **-** Section 1613 of the Social Security Act. CFR 416.1210 provides more detail on the parameters of some exclusions. The Social Security Act does not define resources. A general definition of resources may be found at CFR 416.1201.

Intent of Exclusions: Congress established limits on the amount of resources eligible persons could own, but wanted to allow beneficiaries to maintain or strengthen their ability for self support and excluded certain essential resources that enhance basic living standards.[12] Resources for burial expenses were not considered available for food, clothing, and shelter and were also excluded. Exclusion of certain payments, like disaster assistance, crime-victim's assistance and relocation assistance was necessary so that SSI rules would be consistent with the humanitarian purposes of these other laws and would allow beneficiaries to address emergency needs.[13] Other payments, such as the Earned Income Tax Credit (EITC), are excluded to coordinate the efforts of different Federal assistance programs.

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[12] U.S. House. Report of the Committee on Ways and Means on H.R. 1. May 26, 1971, page 153.
[13] U.S. Senate. The Supplemental Security Income Program, Report of the Staff to the Committee on Finance. 1977, page 99.

Statutory Modifications:

- The *Distilled Spirit Taxes and Social Security Act Amendments of October 20, 1976* (P.L. 94-569) eliminated limits on the home exclusion.

- The *Social Security Amendments of November 12, 1977* excluded disaster assistance for 9 months. The Disaster Relief and Emergency Assistance Amendments of 1988 provided that disaster assistance received from a Federal, State, or local government, or a disaster assistance organization would not be considered as income or resources when determining eligibility under Federally-funded income assistance or resource-tested benefit programs. This effectively repealed the time limits on the exclusion of disaster assistance.

- The *Tax Equity and Fiscal Responsibility Act of 1982* (P.L. 97-248) expanded excluded burial resources to include separate accounts, contractual arrangements, and purchased burial items.

- The *Deficit Reduction Act of 1984* (P.L. 98-369) excluded retroactive Social Security and SSI payments for 6 months.

- The *Omnibus Budget Reconciliation Act of 1989* (P.L. 101-239) provided unlimited exclusion of business property and temporarily extended the 6-month exclusion on retroactive Social Security or SSI benefits to 9 months for retroactive benefits paid between October 1987 and September 1989.

- The *Omnibus Budget Reconciliation Act of 1990* (P.L. 101-508) excluded victim's payments and relocation assistance for 9 months and the Federal earned income tax credit for 1 month.

- The *Personal Responsibility and Work Opportunity Reconciliation Act of 1996* (P.L. 104-193) created and excluded dedicated accounts.

Regulatory Modifications:

The Commissioner of Social Security has the discretion to determine limitations applying to the following exclusions:

- Household goods and personal effects increased to $2,000 in 1979,

- An automobile increased to $4,500 in 1979. If the automobile is used for certain activities, the entire value is excluded.

- The value of burial space or agreements representing the purchase of burial space,

- Non-business property for self support, and

- Disaster assistance time limit eliminated effective December 1988.

Inflation Impact: Most resource exclusions apply to the entire value of the asset. The following exclusions have a limited dollar value.

Effect of Inflation on Resource Limit[14]

	Current Limit	**1972 Limit**	**1972 Limit in Year 2000 Dollars**	**Limit Indexed Since Enactment**
Burial Funds (enacted 1982)	$1,500	N/A	N/A	$2,600
Life Insurance (face value upon death)	$1,500	$1500	$400	$6,000

Options for Modifying Resource Exclusions:

Modifications and additions to certain resource exclusions increased program complexity by establishing different time limits for exclusion of similar assets or requiring one exclusion to offset another. For example, EITC's, Crime Victim's Compensation, Relocation Assistance and Social Security underpayments are all lump sum payments but are excluded for different lengths of time. Other examples are the three exclusions that apply to different types of resources for burial, two of which are used to offset each other. The following options offer opportunities to simplify or restore the value of resource exclusions. These options could be combined with one another or with options to increase resource limits.

[14] Based on increase in Consumer Price Index for Urban Wage Earners and Clerical Workers from third quarter average to third quarter of each calendar year , rounded to nearest $100.

1. **Standardize the Time Periods for Exclusion of Crime Victim's Assistance, Relocation Assistance, Retroactive Payments, and EITC payments to 9 months after receipt.**

   Currently, State and local crime victim's assistance and State and local relocation assistance payments are excluded for 9 months, retroactive Social Security and SSI payments are excluded for 6 months, and EITCs are excluded for 1 month. After the expiration of the time period, any remaining value of the payment becomes a countable resource. Standardizing the time periods would simplify administration and give beneficiaries sufficient time to meet outstanding obligations or needs. The legislative history provides no rationale for the differing time periods.

- The SSI program's exclusions for EITCs can be less generous than the Food Stamp Program's exclusions. Under the Food Stamp Program, the resources of household members who also receive SSI (including retroactive payments) are excluded. Federal EITC payments are excluded for the month of receipt and the following month, as with the SSI program. However, Federal, State and local EITC payments may be excluded for 12 months if the household participated in the Food Stamp program at the time of receipt and continued to participate continuously during the subsequent 12-month period.
- This change results in a negligible increase in program costs.
- This option, combined with an increase in the resource limits after 1 year of eligibility (see the second option under the section on the resource limit) would allow beneficiaries to save an additional portion of these lump-sum payments.

2. **Combine the separate exclusions for burial space, burial funds and life insurance into one exclusion limited to $5,000.**

   SSI law excludes life insurance that an individual owns on a particular insured person if its total face value does not exceed $1,500. If the total face value exceeds $1,500, the cash surrender value of the policy or policies involved counts as a resource. The purpose of this exclusion is to permit an individual to set aside funds for burial expenses.

   In 1982, the law changed to exclude (subject to such limits prescribed by SSA) any space held for the purpose of providing a place for the burial of an individual or member of his or her immediate family. It also excludes any agreement representing the purchase of such a space. Regulations extend this exclusion to burial plots, gravesites, crypts, mausoleums, urns, niches, other customary and traditional repositories for bodily remains, vaults, headstones, markers, plaques, and to the opening and closing of the gravesite. Regulations exclude these items regardless of value.

Also effective in 1982, as an alternative to life insurance, the Act excludes up to $1,500 in any funds set aside for burial expenses, provided that such funds are segregated and properly earmarked. However, this $1,500 is offset by the face value of excluded life insurance on the life of the individual. It also is offset by any amount being held for burial expenses in an irrevocable trust, burial contract, or other irrevocable agreement, unless such amount can be excluded under the burial-space provision.

The complexity of these exclusions, which is compounded by their interaction with one another, makes them difficult for the public to understand and for SSA to administer. Also, the $1,500 limit applicable to insurance and funds has never been adjusted for inflation. One way to achieve program simplification and recognize inflation is to combine these three exclusions into one with a limit of $5,000.

- Some individuals would become ineligible under this option for a period of time until they reorganize or spend down their resources. If this option is combined with an increase in the resource limit, many beneficiaries could reorganize resources without becoming ineligible.
- If this option is combined with an increase in the resource limit, to $3,000/$4,500 10-year program costs would be about $242 million.
- In 1986-1987, the median value of burial funds and space was $1,348 for disabled individuals, $1,679 for disabled couples, $1,300 for aged individuals and $1,279 for aged couples. Of persons with insurance policies, the median cash surrender values were $630 for aged individuals, $1,038 for aged couples, $343 for disabled individuals and $373 for disabled couples.
- By collapsing the exclusions and placing a limit on them, SSI beneficiaries will have the flexibility to chose the most appropriate type of burial financing , and all beneficiaries will be subject to the same limit. The $5,000 limit (compared to the current life insurance and burial fund exclusions) is similar to the average cost of a funeral cited by the National Funeral Director's Association in 1999.
- Limitations on burial space exclusions may raise concerns for some beneficiaries who may have to restructure burial plans to comply with new rules.

Section 3

EDUCATIONAL GRANTS, SCHOLARSHIPS AND FELLOWSHIPS AND THE STUDENT EARNED INCOME EXCLUSION

The next section addresses several issues regarding the SSI exclusion concerning educational grants, scholarships, and fellowships. It also analyzes the student earned income exclusion and presents options for modification. As noted for the exclusions discussed in Section 2 above, any changes to the exclusions discussed in this section would need to recognize conforming changes in the deeming process.

Educational Grants, Scholarships, and Fellowships Exclusion

This section of the report responds to the requirement that SSA: (1) identify the number of title XVI beneficiaries whose grant, scholarship, or fellowship was not excluded from income in accordance with section 1612(b)(7) of the Social Security Act because they had attained age 22; and (2) recommend whether this exclusion be expanded to cover amounts for room and board.

Description of Exclusion: The Social Security Act excludes from income, but not resources, any portion of a grant, scholarship, or fellowship for tuition and fees at any educational (including technical or vocational education) institution. It does not exclude amounts earmarked or used for other purposes, such as room and board.[15]

Unlike the student earned income exclusion (see next section of report), there is no age limit associated with this exclusion. Therefore, there are no title XVI beneficiaries to whom it has not applied because they had attained age 22.

Source of Exclusion: Statutory – Section 1612(b)(7) of the Social Security Act.

Intent of Exclusion: Congressional intent was "to help finance and encourage continued school attendance."[16] To provide opportunity and incentive for persons with disabilities to support themselves through work activity, Congress provided for a partial educational assistance exclusion to encourage beneficiaries to prepare for gainful employment.

Last Modified: In original legislation; never modified

Options for Modifying Exclusion:

1. **Exclude from income the entire amount of any grant, scholarship, or fellowship that is not otherwise excluded.**

   The importance of this exclusion is evidenced by the outcomes of persons with disabilities who have a college education. In 1998, 16 percent of persons with

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[15] Related Exclusion: The Higher Education Act of 1965, as amended (20 U.S.C. 1087uu), excludes all student financial assistance received under a Department of Education or Bureau of Indian Affairs student assistance program from both income and resources in determinations of SSI eligibility and payment amount. This exclusion applies to the full amount of such assistance, including any amount intended for room and board. Such assistance, which generally takes need into account, includes but is not limited to PELL grants, State Student Incentives, Academic Achievement Incentive scholarships, Supplemental Educational Opportunities grants, and Upward Bound assistance.

[16] House Report No. 92-231

disabilities with less than 12 years of education worked compared to 51 percent of persons with disabilities with 16 years or more of education.[17] Labor force participation increases with educational level more sharply for those with a disability than for those without.[18]

The average cost of undergraduate tuition and fees in the 1997-1998 academic year was almost $5,000, which most SSI beneficiaries could not afford without financial aid.[19] In 1992-1993, 88 percent of all low-income undergraduates attending full time, full year received some type of financial aid: 84 percent received grants.[20]

Allowing increased access to funds for education with an expectation of subsequent meaningful employment also has the potential for long range program savings. A substantial number of individuals have become eligible for SSI prior to age 18, and consequently may spend a significant portion of their lives dependent upon public assistance programs.

Any initial increase in program costs should be relatively small considering that the average amount of financial aid awarded in 1995 through 1996 was less than $7,200 for low-income students, while average tuition and fees (which are currently excluded) cost almost $5,000.[21]

2. **Exclude from resources for 9 months after receipt, contingent upon student status, any amount of a grant, scholarship or fellowship excluded from income under this provision and retained beyond the month received.**

   The Social Security Act does not exclude grants, scholarships, or fellowships from resources in determinations of eligibility for SSI. Thus, for example, if a beneficiary directly received a $6,000 grant and did not spend all of it in the month of receipt, the retained portion could cause ineligibility for SSI (and Medicaid) in subsequent months.

   To prevent abuse, the provision would have to allow discretion by the Commissioner so that only those who use educational assistance as it is intended would benefit from the exclusion.

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[17] Stoddard, Susan, et al. "Chartbook on Work and Disability in the United States, 1998. Page 15.

[18] Id.

[19] Department of Education. "Digest of Education Statistics, 1998."   Table 311.

[20] Department of Education. "How Low Income Undergraduates Financed Postsecondary Education, 1992-1993." NCES 96-161.

[21] Department of Education. Digest of Education Statistics, 1998." Tables 311 and 315.

Student Earned Income Exclusion (SEIE)

Description of Exclusion: The earned income of a child who is determined to be a student is excluded subject to limits prescribed by SSA. A child is defined as an unmarried individual under age 22, who is not the head of a household and who is a student regularly attending school, college, or university, or a course of vocational or technical training designed to prepare him or her for gainful employment. Currently the program excludes up to $400 a month, but no more than $1,620 a year. This exclusion is applied before the general and earned income exclusions.

Source of Exclusion: Statutory – Section 1612 (b)(1) of the Social Security Act provides for the exclusion, and the amount is set by regulations. Section 1614(c) specifies the under age 22 age limit.

Intent of Exclusion: The intent of this exclusion is to help finance school attendance, recognize the special expenses that many students with disabilities must incur in order to go to school, and provide tangible rewards to encourage work. In 1974, the amounts were set to permit the exclusion of all a student normally would earn in those days, working full-time during the summer and sporadically during the rest of the year at 1.5 times the minimum wage.

Last Modified: Never modified except that, prior to 1982, the exclusion was $1,200 per quarter, up to $1,620 in a calendar year. It was changed to a monthly basis to accommodate the overall switch to monthly accounting of beneficiary income.

Inflation Impact: As the table below illustrates, the SEIE has lost about three-quarters of the value it had in 1974 when the amounts were originally set. Therefore, the SEIE provides less support now than when it was established. The SEIE amounts of $400/month and $1620/year established in 1974, are equivalent to approximately $122/month and $493/year in 1999 dollars. If the exclusion amounts were indexed for inflation to the CPI-W, they would now be $1,315/month and $5,327/year.

Exclusion Amount	Value in 1999 Dollars	Inflation Indexed to CPI-W[22]
$400/month $1620/year	$122/month $493/year	$1,315/month $5,327/year

The Age Limit: Increasingly, students take a longer period to finish school than was true 25 years ago. The longer period of education, interspersed with work or other activities is even more characteristic of students with disabilities. Data indicate that

[22] SSA uses the CPI-W to calculate the annual cost-of-living adjustments to benefit amounts.

many of the students with disabilities who go to college get a late start and take more than 4 years to finish. While 46 percent of post-secondary students with disabilities are between the ages of 15 and 23, about 40 percent are above the age of 30. Therefore, a substantial number of such students do not qualify for the exclusion because they are over 22 years of age.

Options for Modifying Exclusion:

1. **Adjust the SEIE to the current minimum wage.**

   This option adjusts the SEIE to the current minimum wage of $5.15 using the same assumptions as the original exclusion amounts, i.e., a student works full-time during the summer and sporadically during the rest of the year at 1.5 times the minimum wage. At an hourly rate of $7.72, 167 hours of work would generate earnings of approximately $1,290 a month, and 675 hours of work would generate about $5,200 a year.

   If the SEIE were to be increased and the goal is to maintain the exclusion's value, the exclusion could be automatically indexed to the CPI in future years to account for inflationary growth. Although the exclusion was initially tied to the minimum wage, the intent of the SEIE was to enhance the purchasing power of low income students with disabilities to help pay for their education, including any special expenses of attending school that result from their disabilities. An index tied to purchasing power seems an appropriate method of keeping the SEIE current. Indexing these adjusted amounts to the CPI--a measure of the average change in the costs of goods and services--will help ensure that the SEIE keeps pace with such costs.

   This proposed option would restore the SEIE to a modest level that would serve the purposes for which it was originally intended. However, because the SEIE is more generous than the earned income exclusion for the rest of the SSI program, it could be argued as an inequitable provision.

2. **Permit the SEIE to apply to any individual who is a student, regardless of age, marital status or status as the head of a household (i.e., eliminate the "child" requirement).**

   This option eliminates the child requirement of this exclusion, thereby extending the SEIE to all SSI beneficiaries, regardless of age, marital status or head of household status. By recognizing the special needs of students with disabilities, this legislative change would ensure that individuals who start school later in life, or stay in school longer, as well as those whose disability begins after age 22, could receive the same benefits as those disabled students who follow a more traditional educational path, or who are disabled from childhood. By eliminating the age and other eligibility requirements, as mentioned above, this option would restore the intent of this exclusion and ensure that this work and education incentive is available to all SSI recipients.

Section 4

SELECTED DI EARNINGS-RELATED PROVISIONS AND OPTIONS

The Social Security Disability Insurance program includes several earnings-related provisions to encourage beneficiaries to return to work.

Substantial Gainful Activity (SGA)

Description: Non-Blind SGA: The Social Security Act defines disability as the "inability to engage in substantial gainful activity" by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months." DI and SSI applicants must be unable to engage in SGA to become eligible for program benefits.

The SGA amount, currently $700 a month, indicates whether a non-blind individual is able to perform a substantial level of work based on the amount of pay that he or she earns. Applicants who have earnings greater than the SGA amount are generally considered to be ineligible for DI benefits regardless of their medical impairment. In addition, after an individual becomes entitled to DI benefits, the SGA amount is used as a measure in determining ongoing entitlement to DI benefits.

Blind SGA: Social Security law specifies a different SGA dollar amount for individuals disabled by blindness. From 1977 through 1996, blind individuals' earnings were not considered SGA for individuals unless they exceed the monthly earnings exempt amount that applied to Social Security retirement and survivor beneficiaries aged 65 through 69. In 1996, when Congress enacted the *Contract with America Advancement Act of 1996* (P.L. 104-121) to increase substantially the earnings test limit for those who have attained normal retirement age over a period of 5 years, reaching $30,000 in 2002, it removed the linkage between the SGA level of the blind and the exempt amount for beneficiaries who have attained full retirement age. However, the SGA level for the blind continued to be adjusted annually to reflect growth in average wages. Currently, these individuals are considered to be engaging in SGA if their earnings exceed $1,170 a month.

Source of Monetary Level: Regulatory – 20 CFR 404.1574 – for non-blind beneficiaries. Section 223 (d)(4) of the Social Security Act specifies the provision for blind beneficiaries.

Intent: **Non-Blind SGA**: The SGA level is the amount of average monthly earnings used as a guideline to assist in determining whether a person has engaged in substantial gainful activity which is defined by regulation as the performance of work activity for pay or profit that involves doing significant physical or mental activities (20 CFR 404.1510). The SGA level is only intended to be an indicator of the ability to work. It is not intended to represent the amount of income for a person to live on, nor is it intended as an income supplement to disability benefits.

The law extended ad hoc regulatory authority to the Commissioner to take full benefit of administrative experience in setting the level for SGA. In 1957 the SGA level was set at $100 a month.

Blind SGA: The legislative rationale regarding the different earnings limit for blind and non-blind beneficiaries is based on the assumption that there are additional adverse economic consequences associated with blindness--including high job-related costs and unemployment.

Modifications: The table below illustrates ad hoc adjustments in SGA since 1957.

Year	Non-Blind SGA Amount	Blind SGA Amount
1957	$ 100	
1966	125	
1968	140	
1974	200	
1976	230	
1977	240	
1978	260	$334
1979	280	375
1980	300	417
1981	-	459
1982	-	500
1983	-	550
1984	-	580
1985	-	610
1986	-	650
1987	-	680
1988	-	700
1989	-	740
1990	500	780
1991	-	810
1992	-	850
1993	-	880
1994	-	930
1995	-	940
1996	-	960
1997	-	1,000
1998	-	1,050
1999	700	1,110
2000	-	1,170

Non-Blind: In July 1999, the Commissioner prescribed regulations to increase the SGA threshold to $700 a month.

Blind: The most recent modification was effective March 29, 1996, when the *Contract with America Advancement Act of 1996* which removed the linkage of blind SGA level from the retirement earnings test for beneficiaries aged 65 through 69. Rather, their SGA level continued as before, i.e., adjusted annually to reflect growth in average wages.

Inflation Impact: To realistically provide a threshold to determine earnings capacity and an earnings level for non-blind beneficiaries to test their ability to work before losing benefits, the SGA amount would reflect wage growth. As the table on the preceding page illustrates, the non-blind SGA amount kept nearly even with average wage growth until 1980. The most recent increase from $500 to $700 closely approximates wage growth since 1990.

Options for Modification:

Non-Blind: Provide for annual adjustments of automatic indexing of the current $700 SGA amount by increases in the Social Security National Average Wage Index (AWI)[23].

Indexing of SSA program factors is not new. The AWI is the basis for automatic annual adjustments in the OASDI contribution and benefit base, the "bend points" in calculating the Primary Insurance Amount (PIA) formula, the earnings requirement for crediting quarters of coverage, and the exempt amount of earnings under the retirement earnings test. The AWI is a measure of wage growth and, therefore, provides a logical basis for increasing the earnings guidelines used to indicate work ability.

In July 1999, SSA increased the SGA amount from $500 to $700 per month. This increase reflects the level that would have been achieved had the $500 level established in 1990 been indexed annually by average wages after 1990. Continued automatic indexing will ensure that the SGA level is increased on a regular and predictable basis, thereby avoiding the necessity of making sizeable adjustments.

Automatic indexing of the SGA threshold will provide a consistent relationship with future wage growth and will ensure that the SGA amount is a stable and uniformly

[23] In 1988 the Disability Advisory Council recommended indexing SGA to changes in wage growth; in 1996 the Disability Policy Panel of the National Academy of Social Insurance made the same recommendation.

representative indicator of an individual's ability to work, particularly since sliding scale offsets based on earnings may be considered in the future.

Blind: Relink the blind SGA amount to the retirement test for individuals who have attained the full retirement age.

Congress has distinguished blindness from other impairments by writing into law different disability criteria for the blind with respect to insured status, continued eligibility for benefits beyond age 54 regardless of the level of work activity, and the absence of a requirement to meet a functional disability test. Because Congress established a link to the retirement test when it originally created a blind SGA level, it could be argued that the blind should be treated like retirement beneficiaries whenever Congress makes changes to the retirement test.

On the other hand, it could be argued that other impairments could be viewed as needing special compensatory relief. This option would increase the SGA amount for blind individuals to $2,500 per month in the year 2002 or $30,000 per year. Thus, modifying the SGA for the blind to the point where it would approach the average wage of all workers (currently $30,000) may result in the concept of disability losing its meaning.

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Trial Work Period (TWP) Services Amount

Description of TWP: The trial work period provides a beneficiary with the opportunity to test his or her ability to work without loss of DI benefits or medical insurance. A month in which an individual earns $200 or more is counted as a trial work period month. The TWP continues until a beneficiary accumulates 9 trial work period months (not necessarily consecutive) in a rolling 60-month period.

Source of the TWP: Statutory and regulatory. The trial work period provision was enacted in the 1960 Social Security Amendments (Social Security Act § 222(c)(1)). The Commissioner of Social Security must prescribe by regulation (20 CFR 404.1574) the earnings level below which monthly earnings do not result in a trial work month.

Intent of the TWP: In 1960, the law was amended to provide that the trial work period would be available to all disabled workers and childhood disability beneficiaries who have not medically improved, but try to work.

However, there was no device for preventing insignificant work from being included as a trial work month. Experience showed that beneficiaries frequently used up several months of a trial work period while making intermittent and insignificant efforts to work. When these individuals finally reached a productive earnings level, the trial work period was exhausted, although they had not demonstrated the capacity to sustain competitive employment on a regular basis.

In 1968, SSA implemented a policy that work activity for earnings not exceeding $50 a month would be excluded from the trial work period on the basis that the work involved may be viewed as "insignificant work which does not in any real sense constitute a trial work or rehabilitation effort."

Last Modified: The TWP services amount was modified in January 1990, when it was increased from $75 to $200.

Inflation Impact: The TWP services amount would be approximately $290 if it had been increased to account for average wage growth since 1990.

Option for Modifying:

Increase the TWP services amount to any amount up to $530 a month. Automatically index the amount to the Social Security National Average Wage Index in future years.

The current $200 amount represents about 10 hours of minimum wage work per week and is not a realistic test of ability to work. An increase to $530 represents about 25 hours of minimum wage work per week, which is more representative of a modest work effort and would allow for part-time and intermittent work attempts.

If the goal is to maintain the TWP amount's value, the amount could be automatically indexed to account for inflationary wage growth in future years. The Social Security national Average Wage Index, which measures average wage growth, is an appropriate index.

Although larger TWP service amounts may initially lead to higher program costs, the potential for long-term savings may be greater. Beneficiaries may be more likely to test their ability to work when they are able to gradually reenter the workforce without the risk of losing benefits before they can demonstrate the ability to work on a regular basis.

Some have argued that the TWP services amount should equal the substantial gainful activity (SGA) amount (currently $700 per month). However, the legislative history of the trial work period provision indicates that Congress recognized and intended that the amount that constitutes trial work need not constitute SGA. This option would maintain the distinction between the TWP services amount and the SGA amount.

Section 5

LIST OF REMAINING SSI EXCLUSIONS AND DI EARNINGS-RELATED PROVISIONS

SSI Income Exclusions
And Associated Resources Exclusions

Following is a list of the remaining SSI exclusions, their statutory and regulatory source, and an indication of whether they have been modified. The following exclusions, arranged alphabetically, are the earned and unearned-income exclusions not analyzed elsewhere in this report. Items 13, 24, 31, and 37-39 apply to earned income. Where excluded income becomes an excluded resource if retained, the resource exclusion also is described. Except as otherwise indicated, these exclusions have not been modified with respect to amount or applicability.

1. ACTION Program Payments

Authority: Statutory--42 U.S.C. Chapters 66 and 129

ACTION programs, now administered by the Corporation for National Service, include volunteers in Service to America (VISTA), University Year for ACTION (UYA), and National Senior Corps programs. Payments to volunteers in these programs are excluded from ***income and resources***.[1]

2. Agent Orange Settlement Payments

Authority: Statutory--*Omnibus Budget Reconciliation Act of 1989* (P.L. 101-239)

Payments from the Agent Orange settlement fund or other fund pursuant to the Agent Orange product liability settlement are excluded from ***income and resources***.[1]

3. Alaska Longevity Bonus

Authority: Statutory--Social Security Act §1612(b)(2)(B)

Alaska Longevity Bonus payments are excluded from ***income*** for residents of Alaska who, prior to October 1, 1985, met the 25-year residency requirement for receipt of such payments that was in effect prior to January 1, 1983 and were eligible for SSI.

This exclusion was last modified in 1985 in response to changes in the State program.

[1] Interest on retained payments is not excluded.
[2] Interest on retained payments is excluded from income and resources.

4. Assistance Based on Need (ABON), Including General Assistance

Authority: Statutory--Social Security Act §1612(b)(6)

ABON is assistance that uses income as a factor of eligibility and is funded wholly by a State (including the District of Columbia, Indian tribes and the Northern Mariana Islands) and/or a political subdivision of a State. ABON is excluded from ***income*****.**

5. Austrian Social Insurance Payments

Authority: <u>Bondy v. Sullivan</u> Court Case

Austrian social insurance payments based on wage credits granted under Paragraphs 500-506 of the Austrian General Social Insurance Act are excluded from ***income and resources.***[1]

6. Child Care and Reimbursement for Child Care Provided Under the Child Care and Development Block Grant Act (CCDBGA)

Authority: Statutory--Social Security Act §1612; 42 U.S.C. 9858q

Payments to a child's family under CCDBGA are excluded from ***income***.

7. Child Support

Authority: Statutory--Social Security Act §1612(b)(9)

One-third of any payment from an absent parent to or for an eligible child is excluded from ***income***.

8. Congregate Care Services

Authority: Statutory—*Housing and Community Development Amendments of 1978* P.L. 95-557)

Services, including meals, provided under title IV of the *Congregate Housing Services Act of 197* are not income "for the purpose of determining eligibility for or the amount of assistance or aid furnished under any Federal, federally assisted, or State program based on need."

9. Crime Victims Aid

Authority: Statutory: Social Security Act §1612(b)(17)

Any payment by a State to aid victims of crime is excluded from ***income***. If retained, such payments are excluded from ***resources*** for 9 months following their receipt.[1]

10. Death Benefits

Authority: Statutory--Social Security Act §1612(a)(2)(D) and (E)

A death benefit is something received as the result of another's death, such as: life insurance proceeds; burial benefits; inheritances; and gifts from relatives, friends, or a community group to help out with expenses related to the death.

Death benefits are excluded from ***income*** except to the extent that the total amount exceeds the expenses of the deceased's last illness and burial paid by the individual. Death benefits that are excluded from income are excluded from ***resources*** for the calendar month that follows the month in which they are received.[1]

Last modified: April 1988. Until April 1988, death benefits were countable income to the extent that their total exceeded $1,500 or the expenses of the deceased's last illness and burial paid by the individual, whichever was less.

11. Department of Defense (DOD) Payments to Certain Persons Captured and Interned by North Vietnam

Authority: Statutory--National Defense Authorization Act for Fiscal Year 1997 (P.L. 104-201)

The payments in question are excluded from ***income and resources***.[1]

12. Disaster Assistance

Authority: Statutory--Social Security Act §1612(b)(11) and (12)

Disaster assistance may be provided by a Federal, joint Federal and State, or State or local government program, or by a private organization. Assistance (other than support and maintenance in kind) under any Federal statute based on a presidentially-declared disaster is excluded from ***income and resources***.[2] Support and maintenance in kind is excluded if certain conditions are met.

Last modified: December 1988. Until December 1988, unspent disaster assistance was excluded from resources for 9 months.

13. Earned Income Tax Credit

Statutory: Social Security Act §1612(b)(19)

EITC payments received either as an advance or as a refund, regardless of the tax year involved, are excluded from ***income*** and, for the calendar month following the month of receipt, from ***resources***.[1]

14. Energy Assistance--General

Authority: Statutory--42 U.S.C. 8624(f); Social Security Act §1612(b)(13)

Home energy assistance payments or allowances provided under the Low-Income Energy Assistance program are excluded from ***income and resources***.

15. Energy Assistance--Home Energy Assistance and Support and Maintenance Assistance (HEA/SMEA)

Authority: Statutory--Social Security Act §1612(b)(13)

Home energy or support-and-maintenance assistance is excluded from income if the appropriate State agency certifies that it is based on need and provided in cash by a home-energy entity or in-kind by a private nonprofit agency.

16. Food/Meal Programs

Authority: Statutory--7 U.S.C. 612C (note); 7 U.S.C. 2017 (b); 42 U.S.C. 1760 (e); 42 U.S.C. 1780 (b); 42 U.S.C. 3020a (a)

Food stamps and assistance provided by School Lunch and Child Nutrition programs are excluded from ***income and resources***. Assistance provided by Nutrition Programs for Older Americans is excluded from ***income***.

17. Foster Care Payments for a Child Who Is Not an Eligible Individual

Authority: Statutory--Social Security Act §1612(a)(2) and §1612(b)

Foster care payments are ***not income*** to the provider of the care.

18. Gifts of Domestic Travel Tickets

Authority: Statutory--Social Security Act §1612(b)(15)

The value of a ticket for domestic travel is excluded from ***income and resources*** if the ticket is received as a gift and is not converted to cash.

19. Gifts to Children with Life-Threatening Conditions

Authority: Statutory--Social Security Act §1612(b)(22) and §1613(a)(13)

Gifts from certain organizations up to $2,000 a year to children who are under age 18 and have a life-threatening condition are excluded from ***income and resources***. In addition, in kind gifts are excluded regardless of value if not converted to cash.

20. Home Produce for Personal Consumption

Authority: Statutory--Social Security Act §1612(b)(8)

Home produce is food that a person grown (e.g., vegetables), raises (e.g., chickens) or hunts (e.g., rabbits). Home produce is excluded from ***income*** if it is consumed by the individual or his or her household.

21. Hostile Fire Pay

Authority: Statutory--Social Security Act §1612(b)(20)

Hostile fire pay to a member of the uniformed services (special pay for duty subject to hostile fire or imminent danger) is excluded from ***income***.

22. Housing Assistance, FMHA and HUD

Authority: Statutory--Social Security Act §1612(b)(14), 41 U.S.C. 1382 note

Housing assistance paid under specified statutes is excluded from ***income and resources.***

23. In-kind Support and Maintenance Received Under the "Safe Havens for Homeless Demonstration Program"

Authority: Statutory--42 U.S.C. 11398(c)

No individual living in a safe haven will be considered a resident of a public institution or be charged with in-kind support and maintenance received in connection with a safe-haven demonstration project.

24. Individual Development Account (IDA)

Authority: Statutory--*Assets for Independence Act of 1998* (for demonstration-project IDAs); *Personal Responsibility and Work Opportunity Reconciliation Act of 1996* (for TANF IDAs)

An IDA is a financial-institution account used to save for education, purchasing a first home, or starting a business. An individual can contribute his or her own earnings (but not other income) to an IDA. These contributions are matched at various rates by money from the State's TANF program or from a demonstration project, depending on the statutory authority for the IDA.

If an individual has a TANF IDA: his or her contributions are deducted from countable earned income; matching contributions are excluded from income; and all contributions are excluded resources.

If an individual has a demonstration-project IDA, his or her contributions are not deducted from countable earned income or excluded from resources.[1] Matching contributions and the interest they earn are excluded from income and resources.

25. Interest on Excluded Burial Funds

Authority: Statutory--Social Security Act §1612(b)(16); *Omnibus Budget Reconciliation Act of 1989* (P.L. 101-239 **§**8013)

Interest earned on an excluded burial space is excluded from ***income and resources*** if left to accumulate.

26. Japanese-American and Aleutian Restitution Payments

Authority: Statutory--50 App. U.S.C. S1989 b-4, b-7, c-1 and c-5

Restitution by the U.S. or Canadian Government to individual Japanese-Americans or to the spouse or parent of an individual of Japanese ancestry (or, if deceased, to their survivors) and Aleuts who were interned or relocated during World War II are excluded from ***income and resources***.

27. Native American Payments Excluded Without Regard to Specific Tribes or Groups

Indian Judgment Funds Distribution Act

Authority: Statutory--*Indian Tribal Judgment Funds Use of Distribution Act* (P.L 93-134)

Per capita distributions to members of tribes due judgment funds are excluded from ***income and resources*****.**

Per Capita Act

Authority: Statutory--*Per Capita Act* (P.L. 98-64)

Per capita distributions of all funds held in trust by the Secretary of the Interior to members of an Indian tribe are excluded from ***income and resources***.

Alaska Native Claims Settlement Act (ANCSA)

Authority: Statutory--*Alaska Native Claims Settlement Act Amendments of 1987* (P.L. 100-241)

Cash (up to $2,000 a year), stock, partnership interests, land or interests in land, and interests in settlement trusts are excluded from ***income and resources***.

Payments from Individual Interests in Trust or Restricted Lands

Authority: Statutory--*Omnibus Budget Reconciliation Act of 1993* (P.L. 103-66)

Up to $2,000 per year derived from individual interests in trust or restricted land is excluded from income. Interests of individual Indians in trust or restricted lands are excluded from ***resources***.

28. Native American Payments to Members of Specific Tribes and Groups

Authority: Statutory, as listed in regulations at 20 CFR 416, Subpart K, Appendix

Numerous payments and distributions are excluded from ***income and resources.***

29. Nazi Persecution Payments

Authority: Statutory - *Nazi Persecution Victims Eligibility Act* (P.L. 103-286)

Payments received from any source by individuals because of their status as victims of Nazi persecution are excluded from ***income and resources.***

30. Plan for Achieving Self-Support (PASS)

Authority: Statutory and Regulatory--Social Security Act §§1612(b)(4)(A) and (B), §1613(a)(4); Regulations 20 CFR 416.1112, 416.1124, 416.1161, 416.1180 - 416.1182, 416.1210, 416.1226, 416.1227.

The Social Security Act excludes ***income (earned and unearned) and resources*** used to pursue an approved PASS. Regulations provide that a PASS must be: in writing, tailored to the individual; approved by SSA; and designed for an initial period of not more than 18 months, which can be extended to 48 months. A PASS also must identify a specific occupational goal; designate the income and/or resources that will be used to attain the goal, and show how the excluded funds will be used.

Last modified: In 1994, the *Social Security Independence and Program Improvement Act* (P.L. 103-296) amended §1633 of the Social Security Act to require that SSA establish time-limit and other PASS criteria that take into account the length of time the individual will need to achieve the goal of the PASS and other factors that SSA determines to be appropriate.

31. **Radiation Exposure Compensation Trust Fund Payments (RECTF)**

Authority: Statutory--*Radiation Exposure Compensation Act* (P.L. 101-426)

RECTF payments are excluded from ***income and resources.***[1]

32. **Refunds of Taxes Paid on Real Property and Food**

Authority: Statutory--Social Security Act §1612(b)(5)

Payment from any public agency as a return or refund of taxes paid on real property or on food purchased is excluded from ***income***.

33. **Relocation Assistance**

Authority**:** Statutory--42 U.S.C. 4636; Social Security Act §1612(b)(18)

Federal relocation assistance is excluded from ***income and resources.*** Comparable relocation assistance provided by a State or local government or through a State-assisted or locally-assisted project is excluded from ***income and resources***, but the resource exclusion is limited to the 9 months following receipt of the assistance**.**[1]

34. Ricky Ray Hemophilia Relief Fund Payments

Authority: Statutory--*Ricky Ray Hemophilia Relief Fund Act of 1998* (P.L. 105-369)

The Ricky Ray Act created a fund from which to pay $100,000 to: individuals who contracted HIV as a result of treatment with blood-clotting agents; a lawful current or former spouse of such an individual; or a child who had acquired HIV from a parent who is such an individual. These payments are excluded from ***income and resources***.[1]

35. **VA Payments to Vietnam Veterans' Children With Spina Bifida**

Authority**:** Statutory--P.L. 104-204, §1805(d)

VA payments to or for certain Vietnam veterans' natural children, regardless of their age or marital status, for any disability resulting from spina bifida suffered by such children, are excluded from ***income and resources***.[1]

36. Wages, Allowances, Certain Reimbursements Paid to Persons with Disability Employed in a Project Under Title VI of the Rehabilitation Act of 1973

Authority: Statutory--Title VI of the *Rehabilitation Act of 1973* as amended, 29 U.S.C. 795(b)(c)

Wages, allowances, or reimbursements for transportation or attendant-care costs, when received by an eligible person with a disability who is employed in a project under title VI of the Rehabilitation Act of 1973, are generally excluded from ***income***.

37. Work Expenses of the Blind

Statutory: Social Security Act §1612(b)(4)(A)

Any expenses reasonably attributable to the earning of income, including expenses that are unrelated to the individual's impairment(s), reduce countable earned income on a dollar-for-dollar basis.

38. Work Expenses of the Disabled Who Are Not Blind (Impairment-Related Work Expenses)

Authority: Statutory--Social Security Act §1612(b)(4)(B)

If an individual must incur certain work-related expenses because of an impairment, such expenses reduce countable earned income at the rate of $1 for every $2.

Additional SSI Resource Exclusions

These exclusions are arranged alphabetically. Except as otherwise indicated, they have not been modified as to amount or applicability.

1. Automobiles and Other Vehicles

Authority: Statutory and Regulatory--Social Security Act §1613(a)(2)(A);
Regulations 20 CFR 416.1218

The Social Security Act provides for the exclusion of household goods, personal effects, and an automobile, to the extent that their total value does not exceed an amount that SSA determines to be reasonable. Regulations define "automobile" to mean any vehicle used for necessary transportation and exclude up to $4,500 of the current market value of one such vehicle. Alternatively, one vehicle can be excluded, regardless of its value, based on certain use criteria.

Last modified: In 1980, the excludable amount of an automobile's current market value increased from $1,200 to $4,500.

2. Cash Received for the Repair or Replacement of Lost, Damaged, or Stolen Excluded Resources

Authority: Regulatory--20 CFR 416.1232

Cash and in-kind receipts from any source for the replacement or repair of excluded resources that were lost, damaged, or stolen are themselves not treated as resources for 9 months from receipt.

3. The Home

Authority: Statutory and Regulatory--Social Security Act §1613(a);
Regulations 20 CFR 416.1210, 416.1212, and 416.1245

The Social Security Act excludes the home and the land that appertains to it, regardless of value. Regulations expand the definition of home to include related outbuildings on the property that appertains to the home.

Last modified: In 1976, *Distilled Spirit Taxes and Social Security Act Amendments* (P.L. 94-56, amended the Social Security Act to exclude the home regardless of value. Previously, any portion of the home's current market value in excess of $25,000 ($35,000 in Alaska and Hawaii) counted as a resource.

4. Home Sale Proceeds

Authority: Regulatory--20 CFR 416.1212 (d)

The proceeds of the sale of an excluded home are excluded to the extent that the individual: (1) plans to use them to buy another excluded home; and (2) buys another excluded home within the 3-calendar-month period that follows the month in which he or she receives the proceeds.

5. Household Goods and Personal Effects

Authority: Statutory and Regulatory--Social Security Act §1612(a)(2);
Regulations 20 CFR 416.1216

Up to $2,000 of the equity value of household goods and personal effects is excluded from ***resources***. Items excluded regardless of value include one wedding ring and one engagement ring per individual and medical equipment required by a person's physical condition.

6. Property Essential to Self Support (PESS)

Authority: Statutory and Regulatory--Social Security Act §1613(a)(3); Regulations 20 CFR 416.1210(d) and (e), 416.1220, 416.1222, 416.1224.

The Social Security Act excludes ***resources*** that are essential to the means of the beneficiary's self-support. The extent of the exclusion is prescribed by the Commissioner. However, the Act says no limits on the exclusion will apply to property used in a trade or business or by an individual as an employee, including tools of a tradesperson, and the machinery and livestock of a farmer. Property excluded regardless of value or rate of return includes: 1) property used in a trade or business; 2) property that represents government authority to engage in an income producing activity; 3) property used by an individual as an employee for work.

Last modified: In 1989, the *Omnibus Budget Reconciliation Act* (P.L. 101-239) amended §1613 of the Social Security Act to require that SSA exclude property used in a trade or business or by an individual as an employee. Previously, much of this property was subject to the $6000/ 6 percent return requirement.

7. Real Property, for Up to 9 Months, Pending Efforts to Sell It (Conditional Benefits)

Authority: Statutory and Regulatory--Social Security Act §1613(b);
Regulations 20 CFR 416.1240-1245

An individual who meets all other eligibility requirements, but whose ***resources*** exceed the SSI limit due solely to non-liquid resources, can receive SSI benefits for up to 9 months based on a "conditional" exclusion of the non-liquid resources while he or she tries to sell them. Upon sale of the property, benefits paid during this period are subject to recovery as overpayments.

8. Real Property While Efforts to Sell It Continue After 9 Months of Conditional Benefits

Authority: Statutory and Regulatory--Social Security Act §1613(b)(2); Regulations 20 CFR 416.1245

Real property that an individual has made reasonable but unsuccessful efforts to sell throughout a 9-month period of conditional benefits will continue to be excluded for as long as: (1) counting the property results in excess ***resources***; and (2) the individual continues to make reasonable efforts to sell it. Upon sale of the property, benefits paid during the 9-month period of conditional benefits are subject to recovery as overpayments, but benefits paid subsequently, under this provision, are not subject to recovery as overpayments.

9. Real Property, the Sale of Which Would Cause Undue Hardship

Authority: Statutory--Social Security Act §1613(b)(2)

The value of an individual's ownership interest in jointly-owned real property is an excluded ***resource*** for as long as sale of the property would cause undue hardship, due to loss of housing, to a co-owner. Undue hardship would result if such co-owner uses the property as his or her principal place of residence, would have to move if the property were sold, and has no other readily available housing.

10. Restricted Allotted Indian Land

Authority: Statutory--*Omnibus Budget Reconciliation Act of 1993* (P.L. 103-66)

Any interest held in trust or restricted lands by an individual who is descended from a federally-recognized Indian tribe is excluded from ***resources***.

11. Retirement Funds of Ineligible Spouse or Parent, for Deeming Purposes

Authority: Regulatory--20 CFR 416.1202

Resources that are excluded in determining an individual’s eligibility for SSI are not deemed from an ineligible spouse to an eligible spouse or from an ineligible parent to an eligible child. In addition, the pension funds of an ineligible individual are not deemed to the eligible spouse or child of such individual.

12. Retroactive Title II and Title XVI Payments

Authority: Statutory--Social Security Act §1613(a)(7)

The unspent portion of retroactive SSI and OASDI benefits is excluded from ***resources*** for the 6 calendar months following the month in which the individual receives the benefits. Last modified: This exclusion was last modified in 1989, when the duration of the exclusion changed from 9 months to 6.

13. Stock in Alaska Regional or Village Corporation

Authority: Statutory--Social Security Act §1613(a)(5); *Alaska Native Claims Settlement Act (ANCSA) Amendments of 1987* (P. L. 100-241)

Stock in an Alaska regional or village corporation is excluded from ***resources***.

Last modified: The Social Security Act excluded such stock from resources for the 20-year period during which it was non-transferable. It became transferable as of January 1, 1992. By that time, however, the ANCSA amendments provided for its exclusion.

Earnings-Related Provisions Under the DI Program

1. Impairment-Related Work Expenses (IRWE).

Impairment-related work expenses that a DI beneficiary incurs in order to work can be deducted from earnings in determining whether the beneficiary is engaging in substantial gainful activity for DI. The costs of certain attendant care services, medical devices, equipment, prosthesis, and similar items and services may be deducted.

Source of Exclusion: Statutory - Social Security Act §§ 223(d)(4)

Last Modified: Never modified

Appendix

Table 1.—Estimated increases in Federal SSI payments resulting from selected provisions illustrating options related to SSI income and resource exclusions, fiscal years 2001-2010

(In millions)

Provision	Fiscal year 2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Total 2001-05	Total 2001-10
1) General income disregard estimates												
a) Increase general income disregard to $30	$304	$338	$339	$340	$369	$341	$314	$343	$344	$345	$1,689	$3,375
i) And index	306	351	363	375	416	401	383	425	437	451	1,811	3,907
b) Increase general income disregard to $50	921	1,026	1,028	1,030	1,119	1,035	951	1,040	1,042	1,045	5,123	10,236
i) And index	928	1,065	1,100	1,138	1,262	1,216	1,160	1,288	1,326	1,366	5,493	11,849
c) Increase general income disregard to $80	1,867	2,078	2,082	2,086	2,265	2,095	1,924	2,104	2,109	2,114	10,377	20,723
i) And index	1,881	2,157	2,229	2,305	2,555	2,463	2,349	2,606	2,683	2,764	11,127	23,992
2) Raise the FBR for individuals and couples by $20/30 in lieu of a GIE (1/)	842	975	1,015	1,057	1,178	1,141	1,094	1,219	1,260	1,303	5,068	11,086
3) Earned income disregard estimates												
a) Increase earned income disregard to $100	85	96	97	98	107	100	93	102	103	104	484	984
i) And index	86	100	104	108	121	117	112	125	129	134	518	1,135
b) Increase earned income disregard to $200	299	336	340	344	376	351	324	357	360	363	1,695	3,449
i) And index	301	349	363	378	422	409	392	438	453	470	1,814	3,975
c) Increase earned income disregard to $260	411	462	468	473	518	482	446	491	495	499	2,332	4,744
i) And index	414	480	500	520	581	563	539	602	623	646	2,494	5,467
4) Irregular/infrequent income exclusion estimates												
a) Increase the $20 unearned and $10 earned irregular and infrequent income exclusion to $80 and $40, respectively	(2/)	(2/)	(2/)	(2/)	(2/)	(2/)	(2/)	(2/)	(2/)	(2/)	(2/)	(2/)
b) Return to a quarterly exclusion	(2/)	(2/)	(2/)	(2/)	(2/)	(2/)	(2/)	(2/)	(2/)	(2/)	(2/)	(2/)
c) Combine the earned and unearned exclusions into one category	(2/)	(2/)	(2/)	(2/)	(2/)	(2/)	(2/)	(2/)	(2/)	(2/)	(2/)	(2/)
5) Exclude all interest and dividends earned on countable liquid resources	2	2	2	2	2	2	2	2	2	2	10	21
6) Resource estimates												
a) Increase resource limits to $3000/4500	7	14	14	15	15	15	16	18	18	19	65	152
b) Increase resource limits to $3000/4500 and streamline exclusions	12	22	23	23	24	25	25	28	29	30	104	242
c) Increase resource limits to $6000/9000	89	169	175	181	200	191	181	201	208	215	814	1,810
7) Uniform 9-month exclusion period for time limited resources	(2/)	(2/)	(2/)	(2/)	(2/)	(2/)	(2/)	(2/)	(2/)	(2/)	(2/)	(2/)
8) Student earned income exclusion estimates												
a) Adjust the SEIE to the minimum wage and index to the CPI, and remove certain restrictions on application of the exclusion	6	6	7	7	8	8	8	9	9	10	34	78
b) Adjust the SEIE to the minimum wage and index to the CPI	3	3	3	3	4	4	4	4	5	5	16	38

1/ Some recipients will have benefits reduced by this proposal.
2/ Increase in payments less than $1 million per year.

Notes:
1. The estimates are based on the assumptions underlying the President's Fiscal Year 2001 Budget.
2. Totals may not equal the sum of rounded components.
3. Because income and resources are highly correlated, easing both resource and income restrictions would have dramatically more impact than the sum of the individual impacts.
4. Increases or decreases in benefit payments shown above are projected on a cash outlay basis. In particular, payments due on October 1st in fiscal years 2006 and 2007 are included with benefit payments for the prior fiscal year.

Social Security Administration
Office of the Chief Actuary
March 24, 2000

Table 2.—Estimated increases in OASDI benefit payments resulting from selected options related to Disability Insurance earnings-related provisions, fiscal years 2001-2010

(In millions)

Option	Fiscal year										Total	Total
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2001-05	2001-10
1) Index SGA amount by wage series for years after 1999 1/	—	—	—	—	—	—	—	—	—	—	—	—
2) Raise TWP amount to 75 percent of SGA amount	$7	$6	$5	$5	$4	$3	$2	$2	$1	$1	$27	$37
3) Set SGA for blind equal to FRA exempt amount	52	184	281	301	323	346	371	397	426	456	1,141	3,137

1/ The assumption underlying current law projections is that the SGA amount will keep pace with average wages.

Notes:
1. The estimates are based on the assumptions underlying the President's Fiscal Year 2001 Budget.
2. Totals may not equal the sum of rounded components.

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